

COVINGTON & BURLING LLP

1201 PENNSYLVANIA AVENUE NW
WASHINGTON, DC 20004-2401
TEL 202.662.6000
FAX 202.662.6291
WWW.COV.COM

WASHINGTON
NEW YORK
SAN FRANCISCO
LONDON
BRUSSELS

MICHAEL L. ROSENTHAL
TEL 202.662.5448
FAX 202.778.5448
MROSENTHAL@COV.COM

217293

August 15, 2006



BY HAND

The Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W.
Washington, D.C. 20423-0001

ENTERED
Office of Proceedings

AUG 15 2006

Part of
Public Record

Re: STB Ex Parte No. 575, Review of Rail Access
and Competition Issues – Renewed Petition of
Western Coal Traffic League

Dear Secretary Williams:

Union Pacific Railroad Company (UP) is filing this letter in response to the August 7, 2006 submission in this proceeding by Arkansas Electric Cooperative Corporation (AECC). AECC's submission responded to Vice Chairman Mulvey's request that AECC support its claim that the interchange commitment in the lease agreement between UP and the Missouri & Northern Arkansas Railroad (MNA) increases rail rates for moving Powder River Basin coal to the Independence power plant by "at least \$3.25 per ton." The Vice Chairman was right to question AECC's claim, which is based on flawed logic and a disregard of the facts.

AECC's submission misrepresents facts known to AECC. AECC calculated the allegedly increased rail rates by comparing an estimated rate for moving coal to Independence with an estimated rate for moving coal to plants served by more than one railroad. But AECC had no valid reason to estimate those rates: AECC knows the difference between UP's rate for coal moving to Independence and coal moving to its sister plant at White Bluff, which is served by UP and BNSF Railway. The Board also knows the difference, because UP submitted that information under seal in a June 5, 2006 filing in STB.

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Ex Parte No. 661 to correct a similarly misleading analysis submitted by AECC.¹ AECC's only reason for using "estimates" is that the facts do not confirm its claim: Comparing UP's rate to Independence with its rate to White Bluff destroys AECC's claim that UP receives increased rates at Independence as a result of its lease and interchange commitment with MNA.

Moreover, AECC's submission was not designed to address the effects of the interchange commitment. It is based on the false assumption that the interchange commitment reduces the number of railroads serving the Independence plant. The plant is served by only one railroad because AECC and its co-owner Entergy chose to build the plant at a location served by only one railroad, UP's predecessor, Missouri Pacific Railroad. As UP has explained throughout this proceeding, UP was the only carrier serving the plant before the interchange commitment, and it would be the only carrier serving the plant if the interchange commitment were removed. Thus, even if AECC identified a difference between UP's rate to Independence and rates to plants served by more than one carrier, the difference would be attributable to the decision to build the Independence plant at a location served by only one railroad, not the interchange commitment.

In sum, AECC has no basis for claiming that UP receives higher rail rates for coal moving to the Independence plant as a result of interchange commitments.

Sincerely,



Michael L. Rosenthal

cc: Parties on the Service List in Ex Parte No. 575

¹ See UP's Reply to Arkansas Electric Power Cooperative at 5, STB Ex Parte No. 661, (filed June 5, 2006). The Protective Order issued by the Board in STB Ex Parte No. 661 applies only in that proceeding. UP requests that the Board expand the scope of that order to include this proceeding as well.